

**Daily Briefing**

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OMB set to unveil new competition process

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New outsourcing rules likely will prohibit federal agencies from turning over work to private contractors without first letting employees defend their jobs, Office of Federal Procurement Policy Administrator Angela Styles said Tuesday.

Styles said the Office of Management and Budget is poised to eliminate this outsourcing method -- known as direct conversion -- and approve several new techniques as part of its rewrite of federal outsourcing rules, contained in Circular A-76.

"We've eliminated direct conversions altogether," said Styles in an interview with *GovExec.com*. "Direct conversion implies an outcome, it implies the private sector can do it better and cheaper." Styles cautioned that the circular is still being vetted inside OMB and could change.

Eliminating direct conversions departs from the recommendations of the Commercial Activities Panel, a congressionally chartered panel that found the process was appropriate in situations involving 10 or fewer federal employees. But it should help OMB make the case that competition, and not outsourcing, is the focus of its competitive sourcing program, said Styles.

"People have criticized us for this being an outsourcing initiative and I've been trying to tell them that it's really not, that what we want is competition and the best value for the taxpayer at the lowest cost. I think this adds a little more meat to what we're saying," she said.

Besides curbing direct conversions, OMB is likely to give agencies several new methods for competing the jobs of small groups of federal employees. Currently, agencies can use a "streamlined" process in job competitions involving 65 or fewer federal employees. This process does not allow in-house workers to restructure their operations. But OMB is considering a new approach, designed by the Interior Department, that would allow in-house employees to restructure themselves into a "most effective organization" -- which is required in larger competitions.

OMB already is allowing the Interior Department to use its new streamlined

method for credit toward its competitive sourcing goals, and is leaning towards adding it to the circular, according to Styles.

“We thought it could add some significant flexibility for competitions involving less than 65 employees that we didn’t have in the current circular,” said Styles. She added “it wouldn’t surprise” her to see Interior’s process included in the final document.

If used fairly, Interior’s method could be very useful for agencies, said Dale Warden, an A-76 consultant who is helping several civilian agencies with their competitive sourcing programs. “If they implement this fairly, then I think this is a great idea,” said Warden. “MEOs [most effective organizations] always save the taxpayer money and that’s good.”

Approving this new process is part of OMB’s strategy to give agencies wide discretion in how they conduct small competitions, according to Styles. Besides Interior’s method, OMB also is considering a proposal to let employees form a “mini-MEO” for small competitions. “It would be based on the results of business process reengineering and it wouldn’t be a full-blown MEO,” said Styles. OMB also plans to keep the current streamlined process as another option for agencies, she said. Agencies would have to certify the cost estimates for each of these methods, she added.

This flexibility should please civilian agencies, many of which have chafed against existing rules for streamlined competitions. “The old [streamlined method] was bad for the taxpayer and bad for the employees too,” said Scott Cameron, deputy assistant secretary for performance and management at the Interior Department. “The new methodology would, frankly, increase the odds of employees winning,” he said in a Friday interview with *GovExec.com*.

But federal employee unions were skeptical whether the new streamlined process is an improvement over current rules, particularly if agencies decide not to form an MEO. “The elimination of direct conversions cannot be used as an excuse to establish a second-rate public-private competition process that makes the MEO optional,” said John Threlkeld, a legislative analyst with the American Federation of Government Employees.

Threlkeld also raised concerns that agencies would not be given enough time to finish competitions using the new streamlined process. The Interior Department originally envisioned the process taking seven months, but OMB is considering much tighter time limits for streamlined competitions, including deadlines as short as 90 days, according to multiple sources.

Stan Soloway, president of the Professional Services Council and a member of the Commercial Activities Panel, said direct conversions are another tool for federal managers that should be preserved in the circular. “If [officials] have already made a strategic management decision that they are not going to do this [activity] anymore [with federal employees], why should they go through a time-consuming process?”

Styles said it was unlikely that the final version of the new A-76 would be issued before May. Many observers were expecting the document to be issued this month—even this week—but Styles said it will likely take more time. “I would be stunned if you saw it in April,” she said.

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